

Order 2003-7-16
Served: July 11, 2003

**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 11th day of July, 2003

Essential Air Service at

LEBANON, NEW HAMPSHIRE

Under 49 U.S.C. 41731 *et seq.*

DOCKET OST-2003-14822

ORDER SETTING FINAL RATE

On March 27, 2003, Colgan Air, Inc., d/b/a USAirways Express filed a 90-day notice to suspend its subsidy-free air service at Lebanon, New Hampshire. By Order 2003-6-4, June 5, 2003, we requested proposals for replacement service and required Colgan to continue providing essential air service to Lebanon while we processed a carrier-selection case. We set the required service at three nonstop round trips a day, the level the carrier was providing when it filed its notice.

During this hold-in period, Colgan is entitled to be compensated for its service. The carrier and staff have agreed to an annual subsidy rate of \$1,084,930 for three nonstop round trips a day to New York City (LGA) with 19-seat Beech 1900D aircraft. We will compensate Colgan at that rate until further Department action, *i.e.*, until we conclude the long-term selection proceeding and select a replacement carrier, either Colgan Air or another carrier, and the service is fully in place.

The rate we have agreed to is based on Colgan Air's system average expenses and appears reasonable. We will continue to process the carrier selection proceeding.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department sets the final subsidy rate for Colgan Air, Inc., for the provision of essential air service at Lebanon, New Hampshire, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to and from New York by \$597.43;¹
2. We direct Colgan Air to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
3. This Docket will remain open until further Department action; and
4. The Department will serve copies of this order on the Mayor and Airport Manager of Lebanon, New Hampshire, the Governor and Department of Transportation of the State of New Hampshire, and Colgan Air, Inc.

By:

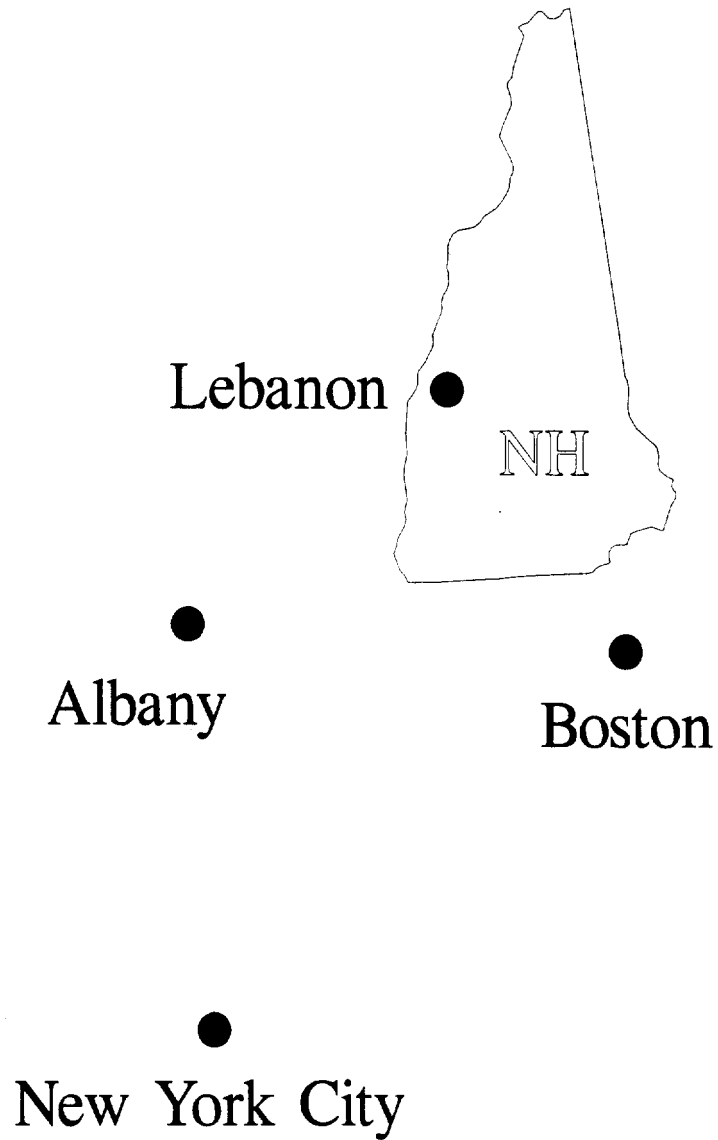
MICHAEL W. REYNOLDS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>

¹ See Appendix C for calculations.

LEBANON, NEW HAMPSHIRE
AND SURROUNDING COMMUNITIES



Mileages

LEB-ALB-97
LEB-BOS-109
LEB-LGA-212

Appendix B

Essential Air Service to Be Provided by Colgan Air, Inc.,
at Lebanon, New Hampshire, Docket 14822

Round Trips per Week	18
Flight Hours	1,846 1/
Passengers	12,042
Total Pax. Revenue	\$1,950,274
<u>Other Rev. @ .6%</u>	<u>\$11,702</u>
Total Revenue	\$1,961,976
Flying Operations	\$260,881
Total Maint.	\$766,806
Fuel	\$377,760
Hull Insurance	\$40,000
Liab. Insur.	\$49,173
<u>B-1900D Lease/Year</u>	<u>\$288,000</u>
Total Directs	\$1,782,620
Total Indirects	\$1,119,195
Total Operating	\$2,901,815
<u>Return @ 5%</u>	<u>\$145,091</u>
Economic Cost	\$3,046,906
Annual Subsidy @ 97%	\$1,084,930

1/ Lebanon: 36 flts./week x 78 min. x 52 weeks x .97/60 = 2,361 BH, 1,816 depts.

**Colgan Air, Inc., Essential Air Service to be Provided to Lebanon,
New Hampshire, Docket 146822**

Effective Period: June 25, 2003, until further Department action.

Scheduled Service:

18 nonstop round trips each week to New York City (LGA).

Aircraft: 19-seat Beech 1900D aircraft

Subsidy Rate per New York Flight: \$597.43 ¹

Weekly Compensation Ceilings: \$21,507.48 ²

Note:

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ \$1,084,930 annual compensation, divided by 1,816 annual flights, calculated as follows:
36 flights/week*52 weeks*.97 completion.

² 36 flights per week x \$597.43.